

Company number: 1806414
Charity number: 326568

CHARITY PROJECTS

**Financial Statements
30 September 2006**

CHARITY PROJECTS

Financial statements for the year ended 30 September 2006

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Reference and administrative information

Trustees

Peter Bennett-Jones (Chair of Trustees, UK Grants committee)
Richard Curtis CBE (Vice Chair of Trustees, International Grants committee)
Jana Bennett OBE
Harry Cayton OBE
Emma Freud
Matthew Freud
Michael Harris (Finance, Remuneration and Investment committees)
Lenny Henry CBE
Colin Howes (Remuneration committee)
Jim Hytner
Claudia Lloyd (International Grants committee)
Laurence Newman (Remuneration and Investment committees)
J K Rowling OBE
Michael Soutar (UK Grants committee)
Albert Tucker (International Grants committee)
Nalini Varma (UK Grants and Remuneration committees)

Secretary

Colin Howes

Chief Executive

Kevin Cahill CBE

Registered office

14 Hanover Square
London W1S 1HP

Principal address

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Auditor

Chantrey Vellacott DFK LLP
Chartered Accountants
Russell Square House
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London WC1B 5LF

Bankers

National Westminster Bank plc,
Bloomsbury, Parr's Branch,
P.O. Box 158,
214 High Holborn,
London WC1V 7BX.

Adam & Company plc
22 Charlotte Square
Edinburgh EH2 4DF

CHARITY PROJECTS

Reference and administrative information

Investment managers

Rensburg Sheppards
2 Gresham Street
London
EC2V 7QN

Barclays Capital Securities Limited
5 The North Colonnade
Canary Wharf
London E14 4BB

Fidelity Investment Services Limited
Oakhill House
130 Tonbridge Road
Hildenborough
Kent
TN11 9DZ

Halifax Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Jupiter Unit Trust Managers Limited
PO Box 300
West Malling
Kent
ME19 4YY

Payden & Rygel Global Ltd
10 King William Street
London
EC4N 7TW

Standard Life Investments (Global Liquidity Funds) plc
1 George Street
Edinburgh
EH2 2LL

Cazenove Capital Management Ltd
12 Moorgate
London
EC2R 6DA

J O Hambro Capital Management Limited
PO Box 23685
Edinburgh
EH7 5WR

Schroder & Co Limited
100 Wood Street
London
EC2V 7ER

Newton Investment Management Limited
160 Queen Victoria Street
London
EC4V 4LA

Honorary accountants

Ernst & Young LLP
Beckett House
1 Lambeth Palace Road
London SE1 7EU

Solicitors

Harbottle and Lewis LLP
14 Hanover Square
London W1S 1HP

Company number

1806414

Charity number

326568

CHARITY PROJECTS

Report of the Trustees for the year ended 30 September 2006 (incorporating the Directors' Report)

The trustees, who are also the directors of the company, submit their report and the financial statements of Charity Projects and its subsidiaries for the year ended 30 September 2006. This report also takes into account the provisions of the Companies Act including the Enhanced Business Review. The reference and administrative information on the previous pages forms part of this report.

Principal Objective

The principal objective of the charity and the group is to raise funds and awareness, and to distribute money for specific charitable purposes in support of the vision of 'a just world free from poverty', and the mission of 'positive change through the power of entertainment'. Charity Projects continues to seek to spend its money as effectively and professionally as possible, and to raise awareness of its operation both to grant applicants and the public.

Review of Activities

The trustees set eight main objectives for 2006:

- 1 To organise Sport Relief in July 2006, and raise more than the total in 2004 of £16 million; and make detailed preparations for Red Nose Day in March 2007.
- 2 To work with the Make Poverty History coalition to deliver its objectives; and devise and develop a social change project in the UK highlighting mental health issues.
- 3 To make grants totalling more than £20 million in the UK and £30 million internationally.
- 4 To integrate new technology across all fundraising campaigns, and move the website hardware to a new hosting partner.
- 5 To ensure excellent internal communications systems including the introduction of an improved intranet, and to ensure that the appropriate planning process includes all relevant activities.
- 6 To continue to recruit and retain the most capable professionals, and to provide support and training for their personal and professional development.
- 7 To maximise the take-up of Gift Aid including the effect of new legislation; and the introduction of a revised method to manage key relationships.
- 8 The implementation of the revised Charities Statement of Recommended Practice (SORP); the completion of the investment diversification programme and the completion of the scoping out of options for Comic Relief in the long term.

The progress in respect of each of these objectives is detailed below:

Sport Relief

The Sport Relief campaign was broadly successful across the measures that Comic Relief set itself and raised nearly £19 million, which is an increase of more than £2 million over 2004 and achieved the target set in the objective. Readers of the accounts should note that £2 million was received and accounted for in the previous financial year.

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The ten week campaign culminated in a series of mile events in 15 major cities, one in each of the BBC's nations and regions, and a further 240 locally organised events. There were 135,000 registered participants at these events and an additional estimated total of 280,000 adults and children took part in schools and other individually arranged runs. The trustees particularly want to thank all the volunteers at the miles events and in the telephone call centres who contributed so much to the day. The TV show on the night had a peak audience of 5 million viewers, representing a 27% audience share, and generated 185,000 phone calls and web visits which took donations of over £4.5 million; these figures were somewhat disappointing in comparison to 2004 and have resulted in a re-think of how Sport Relief will work better for TV in 2008. There were three other TV shows, All Out for India, where a Sport Relief cricket team visited projects supported by Comic Relief and played three matches including a final match against a Bollywood team in Mumbai; Only Fools on Horses which acted as a driver show to the main night of TV; and David Walliams Super Swim. Trustees are very grateful to all the artists and sports men and women who took part in these shows and the mile events, and in particular are thrilled to recognise David's astonishing feat which not only was one of the fastest 50 channel swims in history but also raised £1 million.

There has been continued discussion within the charitable sector of the public's understanding that charities necessarily and properly incur costs, and the impression that a statement that 'every pound goes to the cause' might run counter to increased public acceptance of such expenditure. There has also been debate about a potential for two sets of costs to be incurred if a donation is made to a grant making organisation such as Comic Relief. The trustees believe that it is important that the public is informed how their donation is being used and therefore how it is accounted for.

In order to address some of these concerns the trustees have agreed that the management and treatment of donations will always be described in a specific and consistent way. The Comic/Sport Relief Promise states "In order to run itself in a professional and effective way Comic Relief incurs necessary costs. Raising funds, making grants and organisational overheads cost real money. Despite these costs, Comic Relief is still able to promise that for every pound the charity gets directly from the public, a pound goes to helping transform the lives of people living with poverty and social injustice. If Red Nose Day raises £50 million, Comic Relief will spend at least £50 million doing just that. It can make this promise because its operating budget is covered in cash or in kind from all types of supporters like corporate sponsors and donors, suppliers, generous individuals and government (including Gift Aid), as well as from investment income and interest."

The trustees believe that this promise provides an important reassurance to the public. Comic Relief will continue to put the amounts raised by the fundraising campaigns directly into funds specifically designated to make grants and support projects that transform the lives of some of the most disadvantaged people in the UK and the world.

Make Poverty History and UK social change project

In January 2006 the Make Poverty History assembly agreed not to continue as a campaign coalition but Comic Relief worked, with others, to hold the G8 leaders to the commitments they made at Gleneagles and to report on progress to date at the G8 meeting in Moscow in July 2006. Comic Relief will continue to be engaged in the monitoring of the governments' delivery of the initiatives on debt and aid, and of the progress towards meeting the Millennium Development Goals, particularly in the achievement of education for all.

The trustees have agreed that in addition to the new grants programme related to mental health issues, particularly those affecting young people, there should be a broader initiative to raise awareness of the issues and the work that Comic Relief is funding in this area. The project will include television, radio and media coverage of aspects of mental health policy as part of the Red Nose Day campaign.

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Grantmaking

The year saw the introduction of the new grants programmes both for the UK and internationally and of the new committee structures to oversee the grant making process and make recommendations to trustees. The reactive grants programmes have continued to operate as in previous years and are now being complemented by a proactive programme of grants, making strategic awards to address areas of particular interest and concern to Comic Relief, and also by some special initiatives which are designed to have an impact not only on individual people's lives but also on infrastructural capacity and government policy over time. Trustees are expecting about 20 % of the funds raised by the campaigns to be spent on these special initiatives both internationally and in the UK.

One of the consequences of the success of the Make Poverty History campaign in raising awareness of issues affecting Africa, and other developing parts of the world, is that greater attention is now being paid to the role of the governments and the incidence of corruption in some of these countries. Comic Relief welcomes this greater public debate on the roles of debt, aid and trade on the lives of some of the poorest people in the world. In this context the trustees continue to be vigilant in the use of the public's money and to ensure that our international grants support local organisations working in and for the benefit of their communities, and to help to build civil society. The trustees continue to give great emphasis to the monitoring of the grants whilst the project is in operation and are increasing the resources for evaluating outcomes and effectiveness.

The grants awarded in the year totalled £21 million for the UK and £33 million internationally, exceeding the objective as outlined above.

Integration of new technology and move to new website hosting partner

The year has seen the growth of the scale and reach of digital assets within our integrated campaigning as part of the organisation's commitment to make the best use of digital media. This year saw over 85% of registrants for the Sainsbury's Sport Relief Mile use an online registration system (30% more than in 2004). Over 50% of our call centres processed donors' contributions through the web-based donation platform (up from just 5% of call centres in 2004) – meaning the payments could be authorised and paid into our bank account within 12 hours of the transaction. The main campaign site welcomed over 930,000 unique visits and supported a diverse range of fundraising mechanics: online sponsorship for David Walliams' Channel Swim; McFly ringtone sales and wallpapers; exclusive "All out for India" footage and voting for "Only Fools on Horses".

We continue to develop www.comicrelief.com in its role as the organisation's online presence - including providing more details about our grants and a more accessible application process. To support all our public-facing activity and ensure the applications work well, we have been working with our fantastic technical partners, alongside the generous new host of the application platform, Pipex Communications, to redesign our infrastructure and test it thoroughly.

Internal communications systems and planning processes

The trustees have set a high priority to the upgrading of the internal communications systems and planning processes, and to that end two senior posts have been recruited to deliver these improvements. The intranet was re-evaluated, and subsequently redesigned and the contents renewed to fulfil its function as an integral tool for internal communication. The progress reports on the achievement of the 4 year strategic plan and the 1 year operating plan were produced in a new format that allowed for greater trustee and staff engagement and ownership of their delivery, and the organisational plans for 2006/7 have been prepared to connect more directly with individual staff's objectives. However the planning cycle in a Sport Relief year, where the preparation of the plans and their attendant budgets coincides with the culmination of the whole campaign, has proved challenging and will require further examination if it recurs in future years.

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Staff recruitment and professional development

Comic Relief is already in the fortunate position of employing talented professionals at all levels of the organisation. We have continued to attract individuals who bring added value from outside the voluntary sector and we have also hosted employees from our corporate partners who have worked with us on successful secondments. Training has been enhanced through the employment of a full time Training Officer and the roll out of a number of new or improved organisational training initiatives including project management.

The trustees welcome the opportunity to record their thanks to the staff team for all their efforts in another successful and challenging year for the organization and to congratulate Gilly Green, Head of UK Grants on being awarded an OBE for Services to Victims of Domestic Violence, and also to acknowledge the contribution of the volunteers who gave their time and talent so generously in the year.

Take-up of Gift Aid, and relationship management

The trustees welcomed the Chancellor's initiative to simplify the claiming of Gift Aid on telephone donations. However the details of the legislation mean that it is not, currently, practical to have a voice recording of all the donations that are taken in the call centres on the night of television so a written confirmation is still required, although donations taken for Sport Relief over the automated lines were recorded and therefore no follow-up confirmation letter to those donors was required. Despite this continuing burden to many of our donors we were able to claim Gift Aid on more than 82% of the phone donations.

Relationships with our most significant partners, including the BBC, BT, Sainsbury's, Oxfam, Ernst & Young and Cisco are increasingly important to the efficient operation of our fundraising campaigns and grants operations, and the trustees are pleased to be able to thank them for their continued support for Comic Relief. The management of these, and other, relationships, including with artists, was identified as needing review and possible reform. The work on a revised management method has not been completed and remains a priority for 2006/7.

SORP, investments and long term options

This report and the accounts for the year have been prepared in line with the revised Charities SORP. The investment diversification has been completed and a fuller report is included in the financial review of the year. The financial review also includes details of the initial transfer of funds from the General Fund, and therefore not out of donations from the public, into a fund which the trustees have designated to finance a Comic Relief Foundation. The concept of the Foundation is that it should help Comic Relief to fulfil its mission of 'positive change through the power of entertainment' independent of its current fundraising model. It is not intended that the Foundation would become active until the funding has reached £20 million. The initial transfer into the fund totalled £10.8 million.

Financial Review

The results for the year for the group are set out in the consolidated statement of financial activities on page 14. The position of the group at the end of the year is shown in the consolidated balance sheet on page 15.

The group received £30.7 million (2005: £87.4 million) from events, trading, donations, investment income and corporate support. 548 grants totalling £54.4 million (2005: £25.2 million) have been approved in the year.

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Incoming resources of £30.7 million split between the unrestricted general funds, funds designated for grant-making under the "Comic Relief Promise" and other purposes, and restricted funds are shown in note 3 on page 20. Grants awarded of £54.4 million (including grants from restricted funds) and other resources expended are shown in note 6 on page 22. The balances on the respective funds, including the detailed grants allocations, are set out in notes 20 and 21 on pages 31 and 32.

The trustees noted in last year's financial review that the deferral of the first cycle of grants from Red Nose Day 2005 until the 2005/06 financial year had meant that the balances in the designated grants funds at £93.7 million were higher than are usual at the end of a Red Nose Day year. It was stated that the trustees expected to award grants that were budgeted to exceed £50 million and that the balances on the designated funds will fall back to c£60-65 million, including the sums raised by Sport Relief 2006. The results for the year show that unrestricted grants of £52.5 million (net of cancellations) were awarded and that the balances of the funds stand at £58.7 million at 30 September 2006.

The trustees regularly monitor the balance of, and movements on, the general fund in accordance with the reserves policy set out on page 8. The policy states that the trustees are seeking a balance of £1.5 million at the close of a Sport Relief year and the balance at 30 September 2006 is £1.49 million. That balance has been achieved after having made transfers into two new designated funds. The first is the Future Fund into which trustees have transferred £2 million. The Future Fund has been established to allow work to continue on new grantmaking models and programmes and also on developments of new fundraising ideas and initiatives, irrespective of the financial outcome in any year. In this way Comic Relief will seek to continue to remain innovative, effective and bold in all areas of its work. The other designated fund is the Comic Relief Foundation which was described in the review of activities earlier in this report, and into which the trustees have transferred £10.8 million.

In 2004 the trustees decided to split out the movements arising from the charity's operating activities from those arising from changes in the valuation and holding of investments. They consider that this approach shows more clearly the reserves of the charity available for general use, as changes in investment valuations (which do not form part of the general activities of the charity) will not affect the general reserves. The net investment gains of £3.37 million in the financial year have been transferred to the Investment Equalisation Fund through which all investment gains and losses (realised and unrealised) are recognised. During the year the Investment Committee reviewed the level of the Equalisation Fund in relation to the volatility of the portfolio as measured against historical data for the given asset allocation. The review showed that the worst case (measured at the 95th percentile) return across a five year period would result in a loss of value of £11 million. The trustees have used this review to inform their decision to limit the size of the Equalisation Fund to £11 million. The excess of £1.3 million over this figure has been included in the transfer to the Comic Relief Foundation.

Investment policy

New funds come in with each event, and further income is expected from the other activities planned between these major events. As all of the funds under management are scheduled for payment as grants within 5 years, there is permanent core capital, which can prudently be held in longer term assets.

The overall objectives of the investment policy are:

1. To maintain the value of the portfolio as part of the commitment to the "Comic Relief Promise".
2. To maximise the return consistent with the first objective, with an expectation that the return on investments over a rolling five year period will exceed the expected return on balances held in cash only.

The trustees aim to minimise risk as far as possible, in line with the above objectives, but recognise that some risks are necessary in order to achieve the optimum return. The investment of core capital will be

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assessed over a time span of at least five years.

The Investment Committee, which comprises City professionals whose expertise covers the range of relevant knowledge and skills, will monitor the asset allocation of the portfolio and the performance of individual fund managers on an on-going basis and recommend to trustees such changes as they may consider appropriate.

Investment performance

During the year the size of the portfolio representing the permanent core capital increased from £58.4 million to £62.5 million. The major changes to the asset allocation were the further diversification of the portfolio to increase the investment in overseas equities and to give a limited exposure to commodities via a structured note enabling capital preservation. The portfolio now reflects the strategic asset allocation agreed by trustees.

The target for the portfolio is the return achieved by cash as measured by the 7 Day LIBID Index over the five year period. The return for the index for the year to 30 September was 4.6%. The return for the investment portfolio was 9.5% which substantially exceeded the index.

The trustees are satisfied with the performance and the measures taken on the advice of the Investment Committee to diversify the portfolio and manage the inherent risks of investment.

Reserves policy

Charity Projects is in the unusual, and fortunate, position whereby although there may be a deficit on the General Fund in any particular year there is a very limited risk of it affecting the charity's ability to continue its operations as the positive cash flow generated by the annual fundraising event will assist in financing the deficit. The trustees believe they will be able to plan the recovery of the organisation's finances over a reasonably extended timeframe without threatening the grants commitments to the charity's beneficiaries.

However the significantly greater level of unrestricted income to cover the organisation's costs that is generated in a Red Nose Day year than in a Sport Relief year does give rise to a difference in risk terms to the level of reserves at the end of each year. The trustees have therefore decided that they will set the balance on the General Fund at the end of a Red Nose Day year at c£2.5 million and at c£1.5 million at the close of a Sport Relief year, after the transfers to the Future Fund and Comic Relief Foundation mentioned previously in this report. The balance on the General Fund stands at £1.49 million, in accordance with the policy.

Grants policy

The trustees apply all the funds designated for grant-making in pursuit of the vision of a just world free from poverty, and allocate these funds against clear, published criteria which are reviewed regularly.

As stated in Note 1(h), grants made for charitable purposes are included as an expense once the trustees have approved them.

The trustees' intention is to allocate (either by way of grant or for further development of specific areas for future support) the total designated from each event over an approximate two-year period.

Copies of the current criteria are available on the website or by post from Charity Projects, 5th Floor, 89 Albert Embankment, London SE1 7TP.

Tangible fixed assets

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Report of the Trustees for the year ended 30 September 2006 (incorporating the Directors' Report)

The changes in tangible fixed assets during the year are shown in note 13 to the financial statements.

Plans for future periods

Comic Relief uses a planning cycle of four years, to cover two Red Nose Days and two Sport Reliefs. The strategic plan covering the four years from 2005 to 2008 has identified eight principal aims for the organisation over the period. These aims are set for review in 2006/07.

- 1 Leading and governing Comic Relief effectively, ensuring all our work is creative and relevant, driven to deliver our vision and mission, and remains consistent with our values.
- 2 Delivering successful annual fundraising campaigns, increasing our income, raising awareness and developing the distinctiveness of the brands.
- 3 Driving social change through the work that we do across the organisation.
- 4 Making grants to organisations that help people in great need, and working with them to achieve the greatest impact.
- 5 Using interactive digital technology to be at the forefront of finding creative ways to make money, communicate, change lives and work effectively.
- 6 Managing and developing effective operational processes and internal communication, enabling everybody to add value in their job.
- 7 Encouraging an open, supportive and fair working culture that embeds good practice, which encourages everyone to have fun working for and with Comic Relief.
- 8 Managing and developing our resources and relationships across the organisation, to deliver maximum value to Comic Relief.

The plan also sets out the strategies and priorities to achieve these aims and is supported by a one year operational plan which sets out the objectives for the year, a timetable for their delivery and the resources

required for their achievement. The income available to cover operating costs in a Red Nose Day year is always higher than a Sport Relief year, and the budget for the year assumes a surplus of £4.2 million before transfers to the Future Fund and the Comic Relief Foundation.

The principal objectives for the year are:

- 1 To organise Red Nose Day on 16 March 2007, and raise more than the total in 2005 of £65 million; and make detailed preparations for Sport Relief in 2008.
- 2 To devise and develop a social change project in the UK highlighting mental health issues and a social change project to support the Millennium Development Goal of education for all.
- 3 To make grants totalling c£20 million in the UK and over £40 million internationally.
- 4 To continue to use new digital media to exploit fundraising and educational opportunities.
- 5 To continue to improve on internal processes and communication including developing a digital asset management strategy.
- 6 To seek to recruit and retain the most capable professionals, and to provide support and training for their personal and professional development.

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Report of the Trustees for the year ended 30 September 2006 (incorporating the Directors' Report)

- 7 To continue the introduction of a revised method to manage key relationships in a creative, consistent and professional manner.

Structure, Governance and Management

The charity does not have a share capital and is a company limited by guarantee. It is constituted by its Memorandum and Articles of Association.

The ultimate control of Charity Projects is vested in the trustees. Each trustee is a member of the charity and, in the event of the charity being wound up, is liable to contribute a maximum of £1. New trustees are selected and appointed by existing trustees to maintain an appropriate balance of skills and experience. New trustees are given a programme of induction and training is available when required and relevant. A third of the trustees are due for re-election each year and the number of times each trustee is available for re-election is not limited.

The trustees are advised by a committee structure including three Grants Committees (including the Robbie Williams Give It Sum committee), Finance, Investment and Remuneration Committees, all of which meet regularly. In addition, a series of Advisory Groups meet to discuss specific issues or opportunities. Decisions of the trustees are implemented by the Chief Executive and his executive team who are appointed by the trustees.

The trustees continue to identify and review the major risks to which the group is exposed and have established appropriate systems to anticipate these risks and to consider further risks that may arise.

The trustees believe that implementation of agreed actions and procedures will significantly reduce the probability and the impact of these risks.

The trustees

The following held office as trustees during the year:

Peter Bennett-Jones	Colin Howes
Richard Curtis CBE	Claudia Lloyd
Jana Bennett OBE	Laurence Newman
Harry Cayton OBE	J K Rowling OBE
Emma Freud	Michael Soutar
Matthew Freud	Albert Tucker
Michael Harris	Nalini Varma
Lenny Henry CBE	

Jim Hytner was appointed as a trustee in November 2006.

Statement of trustees' responsibilities

Company and charity law require the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group as at the end of the financial year, and of the surplus or deficit for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis.

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The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and the group and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice: Accounting and Reporting by Charities 2005. They are also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each trustee, who was a director of the company at the date that this report was approved, has taken all steps that they ought to have taken as a director in order to:

- make themselves aware of any relevant audit information (as defined by the Companies Act 1985); and
- ensure that the auditors are aware of all relevant audit information (as defined).

As far as each director is aware, there is no relevant audit information of which the charity's auditors are unaware.

The maintenance and integrity of the charity's website is the responsibility of the trustees. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

Auditor

Chantrey Vellacott DFK LLP has indicated its willingness to continue as auditor, subject to reappointment at the next annual general meeting.

BY ORDER OF THE BOARD

COLIN HOWES

Secretary

24 January 2007

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Independent auditor's report to the members of Charity Projects

We have audited the financial statements of the Charity Projects and its subsidiaries for the year ended 30 September 2006 which comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Charity Balance Sheet, Consolidated Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985 and section 43 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Trustees' Responsibilities, the Trustees, who are also the directors for the purposes of company law, are responsible for the preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Trustees is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We read the Report of the Trustees and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the charitable company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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Independent auditor's report to the members of Charity Projects

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company and the group as at 30 September 2006, and of their incoming resources and application of resources, including their income and expenditure, in the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Trustees (incorporating the Directors' Report) is consistent with the financial statements.

CHANTREY VELLACOTT DFK LLP

**Chartered Accountants
Registered Auditor**

LONDON

CHARITY PROJECTS

Consolidated statement of financial activities (incorporating an Income and Expenditure Account) for the year ended 30 September 2006

	Unrestricted funds			Restricted funds	Total funds	Total funds
	General £000	Grants £000	Other £000	£000	2006 £000	2005 £000
Incoming resources						
Incoming resources from generated funds (1e)						
Voluntary income	2,328	14,413	-	1,504	18,245	65,297
Activities for generating funds	2,565	3,092	-	200	5,857	15,947
Investment income (5)	6,581	-	-	66	6,647	6,177
Total incoming resources (3)	11,474	17,505	-	1,770	30,749	87,421
Resources expended						
Costs of generating funds						
Costs of generating voluntary income	3,866	-	-	-	3,866	3,628
Fundraising trading and other costs	2,772	-	-	200	2,972	1,629
Investment management costs	5	-	-	-	5	7
	6,643	-	-	200	6,843	5,264
Charitable activities						
Tackling poverty and social injustice:						
UK grant making	980	20,892	-	507	22,379	13,856
International grant making	750	31,658	-	1,313	33,721	12,961
Global awareness, education and social change	1,646	-	-	185	1,831	2,780
	3,376	52,550	-	2,005	57,931	29,597
Governance costs	62	-	-	-	62	57
Total resources expended (6)	10,081	52,550	-	2,205	64,836	34,918
Net incoming/(outgoing) resources for the year	1,393	(35,045)	-	(435)	(34,087)	52,503
Realised gains on investment assets	-	-	1,662	-	1,662	1,574
Net incoming/(outgoing) resources for the year before transfers	1,393	(35,045)	1,662	(435)	(32,425)	54,077
Gross transfers between funds (20)	(11,500)	-	11,500	-	-	-
Net income/(expenditure) for the year	(10,107)	(35,045)	13,162	(435)	(32,425)	54,077
Unrealised gains on investment assets (14b)	-	-	1,708	-	1,708	4,756
Net movement in funds	(10,107)	(35,045)	14,870	(435)	(30,717)	58,833
Total funds brought forward at 1 October 2005	11,593	93,695	8,963	1,361	115,612	56,779
Total funds carried forward at 30 September 2006 (20/21)	1,486	58,650	23,833	926	84,895	115,612

All amounts relate to the continuing activities of the group. The group has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

The reference to the notes, which form part of these financial statements, is shown on each line, as appropriate. The notes are shown on pages 18 to 32.

Total unrestricted funds of £83,969,000 are detailed in note 20 on page 31.

CHARITY PROJECTS

Consolidated balance sheet as at 30 September 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Intangible assets	12	45	36
Tangible assets	13	527	560
Investments	14a	62,452	58,402
		<u>63,024</u>	<u>58,998</u>
Current assets			
Investments	15	88,877	102,171
Debtors	16	5,753	10,851
Cash at bank and in hand		4,256	4,796
		<u>98,886</u>	<u>117,818</u>
Creditors: amounts falling due within one year	17a	<u>49,618</u>	<u>40,019</u>
Net current assets		<u>49,268</u>	<u>77,799</u>
Total assets less current liabilities		112,292	136,797
Creditors: amounts falling due after more than one year	17b	<u>27,397</u>	<u>21,185</u>
Net assets	19	<u>84,895</u>	<u>115,612</u>
Funds			
Unrestricted funds			
General funds	20	1,486	11,593
Designated funds	20	82,483	102,658
		<u>83,969</u>	<u>114,251</u>
Restricted funds	21	<u>926</u>	<u>1,361</u>
		<u>84,895</u>	<u>115,612</u>

Approved by the trustees on 24 January 2007 and signed on their behalf by:

PETER BENNETT-JONES)	
)	
)	
)	Trustees
MICHAEL HARRIS)	
)	

The notes on pages 18 to 32 form part of these financial statements.

CHARITY PROJECTS

Charity balance sheet as at 30 September 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	13	527	560
Investments	14a	62,452	58,402
		<u>62,979</u>	<u>58,962</u>
Current assets			
Investments	15	87,045	88,809
Debtors	16	7,868	25,998
Cash at bank and in hand		3,438	2,332
		<u>98,351</u>	<u>117,139</u>
Creditors: amounts falling due within one year	17a	49,043	39,309
		<u>49,308</u>	<u>77,830</u>
Net current assets			
		<u>49,308</u>	<u>77,830</u>
Total assets less current liabilities		112,287	136,792
Creditors: amounts falling due after more than one year	17b	27,397	21,185
		<u>27,397</u>	<u>21,185</u>
Net assets		84,890	115,607
		<u>84,890</u>	<u>115,607</u>
Funds			
Unrestricted funds			
General funds		1,481	11,588
Designated funds	20	82,483	102,658
		<u>83,964</u>	<u>114,246</u>
Restricted funds	21	926	1,361
		<u>926</u>	<u>1,361</u>
		<u>84,890</u>	<u>115,607</u>

Approved by the trustees on 24 January 2007 and signed on their behalf by:

PETER BENNETT-JONES)	
)	
)	
)	Trustees
MICHAEL HARRIS)	
)	

The notes on pages 18 to 32 form part of these financial statements.

CHARITY PROJECTS

Consolidated cash flow statement for the year ended 30 September 2006

a)	Reconciliation of net incoming/(outgoing) resources to net cash inflow from operating activities	Notes	2006 £000	2005 £000
	Net incoming/(outgoing) resources		(34,087)	52,503
	Depreciation and amortisation		269	246
	Write off of trademarks		-	18
	Investment income		(6,647)	(6,161)
	Decrease/(increase) in debtors		5,099	(4,104)
	(Decrease)/increase in creditors		15,810	(10,341)
	Net cash inflow/(outflow) from operating activities		(19,556)	32,161
b)	Cashflow Statement			
	Net cash (outflow)/ inflow from operating activities		(19,556)	32,161
	Returns on investments and servicing of finance:			
	Investment income		6,647	6,161
	Capital expenditure and financial investment			
	Receipts from sale of fixed asset investments		39,151	16,541
	Payments to acquire fixed asset investments		(39,831)	(17,411)
	Payments to acquire tangible and intangible fixed assets		(245)	(668)
			(925)	(1,538)
	Management of liquid resources	23	13,294	(35,506)
	Increase/(decrease) in cash in the year	24	(540)	1,278
c)	Reconciliation of net cash flow			
	Increase/(decrease) in cash in the year		(540)	1,278
	Cash used in management of liquid resources		(13,294)	35,506
	Change in net funds resulting from cash flows		(13,834)	36,784
	Net funds at 1 October 2005		106,967	70,183
	Net funds at 30 September 2006	24	93,133	106,967

The notes on pages 18 to 32 form part of these financial statements.

CHARITY PROJECTS

Notes to the financial statements for the year ended 30 September 2006

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Companies Act 1985, applicable accounting standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" (2005). The accounting policies below have been adopted for material items.

b) Consolidation

These financial statements consolidate the results of Charity Projects and its subsidiaries up to 30 September 2006, on a line by line basis.

c) Fixed Assets

Intangible fixed assets (Trademarks)

Intangible fixed assets are stated at historical cost. Amortisation is provided on all intangible fixed assets at 10% on a straight-line basis. This is calculated to write down each trademark over the length of the period for which it is valid.

Tangible fixed assets

Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures and fittings	25% straight-line basis
Computer equipment	25% - 33 ¹ / ₃ % straight-line basis
Office premises (refurbishment)	20% straight-line basis

Individually purchased software is written off in the year of acquisition.

d) Investments

Investments are included at market value at the balance sheet date which gives rise to unrealised gains and losses at the end of the financial period which are included in the statement of financial activities. Realised gains and losses arising on disposal of investments are separately identified in the statement of financial activities. The realised gains are calculated as the difference between valuation, including accrued interest, at the beginning of the financial year or the cost of purchase during the year and the subsequent sale proceeds.

e) Incoming resources

Voluntary income represents monies received by the charity from charitable donations and fundraising events. This is recognised in the statement of financial activities upon receipt. Where a donation is made with a valid Gift Aid declaration, the Gift Aid is recognised in the period in which the original donation was made.

Grant income is recognised on acceptance of the grant by the trustees.

The income from "Activities for generating funds" is derived from the activities of the charity's subsidiary Comic Relief Limited and is included in the consolidated statement of financial activities when receivable.

Investment income and its related tax credit is stated on a receivable basis.

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

1. Accounting policies (continued)

f) **Donated goods and services**

Where the charity receives donations of goods and services in kind and where there is a measurable value to the charity, which can be ascertained with reliability, they are included as both income and expenditure.

g) **Resources expended**

Resources expended are accounted for on an accruals basis. Where expenditure does not fall clearly into one category, it is allocated to appropriate headings on the basis of time spent by staff on each cost area.

Costs of generating voluntary income comprise fundraising and event costs.

Fundraising trading and other costs comprise the operating costs of the charity's trading subsidiary.

Charitable activities represents the grants awarded, and staff and other direct costs associated with grant making and awareness raising activities including international poverty, fair trade campaigns and education projects.

Support costs represent staff and overhead costs which have been apportioned to each expenditure heading on the basis of staff time as detailed in note 6b.

Governance comprises costs in relation to statutory compliance and a proportion of support costs, as shown in note 6c.

h) **Grants payable**

Grants are recognised in the statement of financial activities when they have been approved by the trustees, and are apportioned between amounts due within one year and after more than one year as appropriate. The charity monitors the usage to which a grant is put and reports are required from beneficiaries before the next annual instalment is paid. However, the beneficiary would have a valid expectation that they would receive the grant as offered and accepted. Cancelled grants are credited to the statement of financial activities when the cancellation has been ratified by the trustees.

i) **Operating leases**

Rentals under operating leases are charged to the statement of financial activities on a straight-line basis over the lease term.

j) **Unrestricted general funds**

The unrestricted general funds are available to cover the costs of the organisation other than the grants payable from the designated and restricted funds. Income that is credited to this fund includes sponsorship and corporate support, Gift Aid, investment income, interest and donations given specifically to cover running costs, as shown in note 3.

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

1. Accounting policies (continued)

k) Designated funds

The trustees have designated for grant making all the other unrestricted income from events and certain income received from other activities, as shown in notes 3 and 20 and as set down in the 'Comic Relief Promise' referred to on page 4 of the Report of the Trustees. Investment gains and losses are accounted for in the Investment Equalisation Fund which has been designated to cover future investment movements. The Future Fund has been established by the trustees to allow work to continue, irrespective of the financial outcome in any year, on new grantmaking models and programmes and also on developments of new fundraising ideas and initiatives. The Comic Relief Foundation has been established by the trustees to allow Comic Relief to continue to fulfil its mission independently of the current fundraising model.

l) Restricted funds

These funds can only be used for purposes as specified by the donor and are listed in note 21.

2. Charity statement of financial activities

No separate statement of financial activities or income and expenditure account has been presented for the charity alone as permitted by section 230 of the Companies Act 1985 and paragraph 397 of the 2005 Charities SORP. Net expenditure for the charity was £32,425,000 (2005: net income of £54,077,000).

3. Total incoming resources

	Unrestricted funds		Restricted funds	Total funds	Total funds
	General	Grants	funds	2006	2005
	£000	£000	£000	£000	£000
<u>Voluntary Income</u>					
Fundraising events	-	14,392	-	14,392	54,735
Grant income	-	-	1,313	1,313	167
Voluntary donations	-	-	6	6	1,760
Gift Aid	1,547	21	-	1,568	7,117
Contributions to operating costs	781	-	185	966	1,518
	<u>2,328</u>	<u>14,413</u>	<u>1,504</u>	<u>18,245</u>	<u>65,297</u>
<u>Activities for Generating Funds</u>					
Trading income from Comic Relief Limited (note 4)	2,565	3,092	200	5,857	15,947
Investment income (note 5)	6,581	-	66	6,647	6,177
	<u>11,474</u>	<u>17,505</u>	<u>1,770</u>	<u>30,749</u>	<u>87,421</u>

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

In 2006, grant income comprised funding received from the Commonwealth Education Fund of £1,146,721 and £166,000 from the Vodafone Group Foundation. Contributions to operating costs include £185,366 from DFID towards the costs of the Fair Trade and Development Awareness programmes. Donated goods and services are included within contributions to operating costs.

Activities for generating funds comprise the turnover of Comic Relief Limited, the trading subsidiary of Charity Projects. Turnover consists of income from fundraising events organised by the company, (£3.1million), and income from licensing activities and sponsorship received to help to cover costs (£2.8 million). This includes £200,000 from the Department for Education and Skills to support the Sport Relief 2006 Schools Mile Event resources.

4. Comic Relief Limited

The results for Comic Relief Limited, the wholly owned trading subsidiary of Charity Projects, are as follows:

	2006	2005
	£000	£000
Turnover	5,857	15,947
Overhead expenditure	(2,972)	(1,630)
Operating profit	2,885	14,317
Interest receivable	562	252
Profit on ordinary activities before and after taxation	3,447	14,569
Payment under Gift Aid	(3,447)	(14,569)
Retained profit for the year	-	-
Assets and liabilities	2006	2005
	£000	£000
Fixed assets	45	36
Current assets	4,360	16,659
Current liabilities	(4,400)	(16,690)
Net current (liabilities)	(40)	(31)
Net assets	5	5

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

5.	Investment income	2006	2005
		£000	£000
	Dividends	3,470	3,076
	High Yield Bonds	148	355
	Other interest receivable	3,029	2,746
		<u>6,647</u>	<u>6,177</u>

6. **(a) Analysis of total resources expended**

	Grants awarded Note 7	Staff costs Note 8	Support costs Note 6b	Other direct costs	Total 2006 £000	Total 2005 £000
Costs of generating funds						
Costs of generating voluntary income	-	2,826	622	418	3,866	3,628
Fundraising trading and other costs	-	-	159	2,813	2,972	1,629
Investment management costs	-	-	5	-	5	7
	<u>-</u>	<u>2,826</u>	<u>786</u>	<u>3,231</u>	<u>6,843</u>	<u>5,264</u>
Charitable activities						
Tackling poverty and social injustice:						
UK grant making	21,383	728	157	111	22,379	13,856
International grant making	32,971	521	99	130	33,721	12,961
Global awareness, education and social change	-	1,180	279	372	1,831	2,780
	<u>54,354</u>	<u>2,429</u>	<u>535</u>	<u>613</u>	<u>57,931</u>	<u>29,597</u>
Governance costs (note 6c)	<u>-</u>	<u>8</u>	<u>52</u>	<u>2</u>	<u>62</u>	<u>57</u>
Total resources expended	<u>54,354</u>	<u>5,263</u>	<u>1,373</u>	<u>3,846</u>	<u>64,836</u>	<u>34,918</u>

Other direct costs include the direct operating costs of Comic Relief Ltd of £2.8 million.

Resources expended include:	2006	2005
	£000	£000
Auditor's remuneration:		
Audit fee (group)	39	41
Accountancy, taxation and other services	22	5
Operating lease rentals - land and buildings, and other	260	222
Depreciation and amortisation	269	246
	<u>269</u>	<u>246</u>

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

b) Analysis of support costs

	Premises £000	Depreciation £000	IT & Office £000	HR, Finance & Management £000	Total 2006 £000	Total 2005 £000
Costs of generating funds						
Costs of generating voluntary income	201	141	215	65	622	488
Fundraising trading and other costs	-	6	-	153	159	118
Investment management costs	-	-	-	5	5	7
Charitable activities						
Tackling poverty and social injustice:						
UK grant making	51	36	54	16	157	133
International grant making	32	22	34	11	99	104
Global awareness, education and social change	91	63	96	29	279	256
Governance costs	2	1	11	38	52	47
Total support costs	377	269	410	317	1,373	1,153

All support costs are allocated on the basis of staff time.

c) Analysis of governance costs

	2006 £000	2005 £000
Internal audit	9	2
External audit (charity only)	24	26
Trustee Indemnity Insurance	10	9
Legal & professional fees	4	5
Trustees' and committees' meeting costs	2	4
Apportionment of staff & other costs	13	11
Total Governance costs	62	57

7. Charitable activities - grants awarded

	2006 £000	2005 £000
Tackling Poverty and Social Injustice - UK Unrestricted		
<u>Young People</u>		
Young People with Mental Health Problems	1,569	-
Young People with Alcohol Problems	1,652	-
Alcohol Development Work	252	50
Young People Abused through Prostitution and Trafficking	1,270	-
Young People and Homelessness	595	-
Young Carers	1,000	-
2003-2005 Main Programme	-	2,557
Drug Services for Young People	-	221
Young People's Participation	-	248

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

7. Charitable activities - grants awarded (cont'd)

	2006 £000	2005 £000
<u>Fighting for Justice</u>		
2003-2005 Main Programme	-	2,197
Racial Harassment	-	275
 <u>Refugees and Asylum Seekers</u>		
Supporting Vulnerable Women	1,703	-
Building Community Links	415	41
Refugees & Asylum Seekers Development Work	300	-
2003-2005 Main Programme	-	163
 <u>Domestic Violence</u>		
Main Programme	1,907	509
Improving Provision	-	77
National Domestic Violence Helpline	500	183
UK refugesonline	230	7
Fonesforsafety	43	-
 <u>Communities Programmes</u>		
Disadvantaged communities	706	-
Local Communities Working for Change	-	471
 <u>Older People</u>		
Promoting Advocacy and Campaigning	2,183	-
Tackling Isolation and Loneliness	437	-
Elder Abuse	1,028	432
 <u>Mental Health</u>		
Advocacy and Campaigning	1,958	-
User-led Mental Health Groups	84	-
Mental Health Development Work	504	-
 <u>Other Grants</u>		
Other Grants	616	210
Cancellations	(941)	(144)
 Total Red Nose Day UK Grants (note 20)	18,011	7,497
Sport Relief UK Grants	2,911	4,957
Sport Relief Cancellations	(30)	-
 Total Sport Relief Grants (note 20)	2,881	4,957
 Total UK Grants - Unrestricted	20,892	12,454

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

7. Charitable activities - grants awarded (cont'd)	2006 £000	2005 £000
Restricted		
Give it Sum		
Total Approvals	527	494
Total Cancellations	(36)	-
Total UK Grants - Restricted (note 21)	491	494
Total UK Grants (note 6a)	21,383	12,948
Tackling Poverty and Social Injustice - International		
Unrestricted		
Disabled People	3,184	1,210
Health	50	-
Innovations	-	699
Mainstreaming Disability	-	100
Make Poverty History	-	267
Pastoralists and Hunter Gatherers	2,116	1,181
People Affected by Conflict	3,662	1,534
People Living in Towns & Cities	5,093	920
People Living with HIV/AIDS	5,411	2,944
Trade	1,403	-
Women & Girls	4,051	1,851
Cancellations	(577)	(3)
Total Red Nose Day Africa Grants - Unrestricted (note 20)	24,393	10,703
Total Red Nose Day Africa Grants - Restricted (note 21)	166	-
Total Red Nose Day Africa Grants	24,559	10,703
Sport Relief Worldwide Unrestricted		
Children and Young People's (ICYP) programme	7,697	1,937
Cancellations	(432)	(419)
Total Sport Relief Worldwide Grants - Unrestricted (note 20)	7,265	1,518
Total Sport Relief Worldwide Grants - Restricted (note 21)	1,147	-
Total Sport Relief Worldwide Grants	8,412	1,518
Total International - Unrestricted	31,658	12,221
Total International - Restricted	1,313	-
Total International Grants (note 6a)	32,971	12,221
Total Grants Awarded (note 6a)	54,354	25,169

A full analysis of these grants is included in the grants supplement to the Annual Report, available from Charity Projects, 5th Floor, 89 Albert Embankment, London SE1 7TP.

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

8. Staff	2006 Full time equivalent	2005 Full time equivalent
The average weekly number of persons employed by the group during the year was:	No	No
Fundraising	31	27
Operations	39	36
Education/Communications	23	22
Grant-giving	24	23
Red Nose Day staff team	4	18
Sport Relief staff team	24	-
Make Poverty History team	3	8
	<u>148</u>	<u>134</u>
	2006	2005
	£000	£000
Staff costs for the above persons comprised:-		
Wages and salaries	4,337	3,800
Social security costs	438	399
Pension costs	403	323
	<u>5,178</u>	<u>4,522</u>
Agency staff	85	73
	<u>5,263</u>	<u>4,595</u>
The number of employees earning over £60,000 per annum, including taxable benefits, was:		
£60,001 - £70,000	2	2
£70,001 - £80,000	2	-
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-
	<u>5</u>	<u>3</u>

Pension contributions made on behalf of the above totalled £71,408 (2005: £40,060).

9. Pension contributions

Charity Projects operates a group personal pension scheme open to all employees after a qualifying period. Contributions payable to the pension scheme are charged to the Statement of Financial Activities as they become due. The company makes a contribution, dependent on length of service, which is supplemented by an employee contribution. The number of staff taking part in the scheme was 110 (2005: 92) and the pension charge for the year was £0.4 million (2005: £0.32 million).

10. Trustees

Expenses of £nil were incurred in the year (2005: £13 for 1 trustee). Harbottle and Lewis, a firm of solicitors in which Colin Howes is a partner, provided legal and professional services of £40,951 (2005: £66,759) to the group.

Trustees received nil remuneration in the year (2005: £nil).

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

11. Taxation

The company is a registered charity and as such, for taxation purposes, is entitled to exemption from United Kingdom taxation under the Income and Corporation Taxes Act 1988. The charity's trading subsidiary, Comic Relief Limited, donates to Charity Projects an amount by way of Gift Aid.

12. Intangible fixed assets

	£000
Group Trademarks	
Cost	
At 1 October 2005	54
Creation of trademarks in year	15
	<u> </u>
At 30 September 2006	69
	<u> </u>
Amortisation	
At 1 October 2005	18
Charged in year	6
	<u> </u>
At 30 September 2006	24
	<u> </u>
Net book value	
At 30 September 2006	45
	<u> </u>
At 30 September 2005	36
	<u> </u>

13. Tangible fixed assets

Group and Charity	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost			
At 1 October 2005	989	894	1,883
Additions	131	99	230
Disposals in year	-	(126)	(126)
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2006	1,120	867	1,987
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 October 2005	575	748	1,323
Charged in the year	134	129	263
Disposals in year	-	(126)	(126)
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2006	709	751	1,460
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 30 September 2006	411	116	527
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2005	414	146	560
	<u> </u>	<u> </u>	<u> </u>

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

14.	Fixed asset investments	2006 £000	2005 £000
	Group and charity		
a)	Absolute Return Trust for Charities	9,645	3,333
	Barclays Global Investors Commodities Note	3,000	-
	Charities Property Fund	6,325	5,653
	Credit Suisse Income Fund	-	19,557
	Fidelity FIF Managed International Fund	6,997	1,963
	J O Hambro UK Equity Income Fund	12,269	-
	Jupiter Income Trust	6,115	-
	M & G High Yield Corporate Bond Fund	-	5,515
	Newton Overseas Equity Fund	7,080	-
	Payden & Rygel Global Fund	8,267	8,074
	Schroders Charity Equity Fund	851	-
	Portfolio cash	1,903	14,307
		62,452	58,402
		62,452	58,402
b)	Reconciliation of opening and closing market value		
		2006 £000	2005 £000
	Market value at 1 October 2005	44,095	46,202
	Additions at cost	39,832	8,104
	Disposals at opening market value	(25,086)	(14,967)
	Net unrealised investment gains	1,708	4,756
		60,549	44,095
	Portfolio cash	1,903	14,307
		62,452	58,402
		62,452	58,402
	Cost of listed investments	57,926	38,662
		57,926	38,662
c)	Reconciliation of movements in unrealised gains/(losses) on investment assets		
		2006 £000	2005 £000
	Group and charity		
	Unrealised gains/(losses) at 1 October 2005	5,434	(676)
	Adjust: in respect of disposals in period	(4,519)	1,354
		915	678
	Net gains arising on revaluations in period (note 14b)	1,708	4,756
		2,623	5,434
	Unrealised gains at 30 September 2006	2,623	5,434

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

14. Fixed asset investments (continued)

Charity

d) The charity also holds unlisted investments costing £102 (2005: £102) in the following subsidiary undertakings:

	Country of incorporation	Principal activity	Class of shares	Percentage of share capital held
House of Fun Limited	England	Dormant	Ordinary £1	100%
Comic Relief Limited (note 4)	England	Trading	Ordinary £1	100%

15. Current asset investments

	2006 £000	2005 £000
High interest bearing deposit account	52,115	49,763
Global Liquidity Funds – Charity Projects	34,930	39,046
Total - Charity Projects	87,045	88,809
Global Liquidity Funds - Comic Relief Limited	1,832	13,362
Market value at 30 September 2006 – Group	88,877	102,171

16. Debtors

	2006		2005	
	Group £000	Charity £000	Group £000	Charity £000
Amounts due from subsidiary undertaking	-	3,826	-	15,981
Other debtors	953	101	996	187
Prepayments and accrued income	4,800	3,941	9,855	9,830
	5,753	7,868	10,851	25,998

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

17. Creditors	2006		2005	
	Group £000	Charity £000	Group £000	Charity £000
(a) Amounts falling due within one year:				
Grants approved not yet paid	48,007	48,007	38,120	38,120
Other creditors	324	184	712	587
Taxation and social security	270	171	510	112
Accruals and deferred income	1,017	681	677	490
	<u>49,618</u>	<u>49,043</u>	<u>40,019</u>	<u>39,309</u>

(b) Amounts falling due after more than one year	2006		2005	
	Group £000	Charity £000	Group £000	Charity £000
Grants approved not yet paid	<u>27,397</u>	<u>27,397</u>	<u>21,185</u>	<u>21,185</u>

18. Members' liability

The charity does not have a share capital and is limited by guarantee. In the event of the charity being wound up, the maximum amount which each member is liable to contribute is £1. There were 16 members at 30 September 2006 (2005:15).

19. Analysis of group net assets between funds

	Restricted funds £000	Unrestricted funds		Total funds	
		General £000	Designated £000	2006 £000	2005 £000
Fixed assets	-	572	62,452	63,024	58,998
Current assets	1,428	2,524	94,934	98,886	117,818
Current liabilities	(502)	(1,610)	(47,506)	(49,618)	(40,019)
Liabilities due after one year	-	-	(27,397)	(27,397)	(21,185)
Group net assets	<u>926</u>	<u>1,486</u>	<u>82,483</u>	<u>84,895</u>	<u>115,612</u>

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

20. Unrestricted funds - Group

	Balance 1 October 2005	Incoming resources	Resources expended	Net investment gains	Transfers	Balance 30 September 2006
	£000	£000	£000	£000	£000	£000
General funds	11,593	11,474	(10,081)	-	(11,500)	1,486
Designated funds – grants						
International (Africa) -						
Red Nose Day	44,688	548	(24,393)	-	-	20,843
UK –Red Nose Day	29,053	365	(18,011)	-	-	11,407
UK –Sport Relief	2,576	8,226	(2,881)	-	-	7,921
International						
-Sport Relief	17,378	8,366	(7,265)	-	-	18,479
	93,695	17,505	(52,550)	-	-	58,650
Designated funds – other						
Investment Equalisation Fund	8,963	-	-	3,370	(1,333)	11,000
Comic Relief Foundation	-	-	-	-	10,833	10,833
Future Fund	-	-	-	-	2,000	2,000
	8,963	-	-	3,370	11,500	23,833
Designated funds – total	102,658	17,505	(52,550)	3,370	11,500	82,483
Unrestricted funds	114,251	28,979	(62,631)	3,370	-	83,969

The grants funds represent all unrestricted income received from events and certain income from other activities, and will be used to support work tackling poverty and social injustice.

The Red Nose Day income is divided 60% to international (Africa) and 40% to UK grants. Sport Relief income is divided 50% to UK grants and 50% to the International Fund.

The International Fund is used to fund work with children and young people leading unimaginably difficult lives in the poorest countries of the world including in Africa. It includes income from the international sales of Harry Potter books gifted to Comic Relief by JK Rowling.

All investment gains and losses (whether realised or unrealised) are transferred to the Investment Equalisation Fund.

The Future Fund has received an initial transfer of £2 million and a transfer will be made each year to cover expenditure from the Fund so that the balance of £2 million is retained at the end of each financial year. The Comic Relief Foundation has been established by the trustees to allow Comic Relief to continue to fulfil its mission independently of the current fundraising model. It is not intended that the Foundation would become active until the funding had reached £20 million. The initial transfer into the fund totalled £10.8 million.

CHARITY PROJECTS

Notes to the financial statements For the year ended 30 September 2006

21.	Restricted funds Group and charity				Balance 30 September 2006 £000
		Balance 1 October 2005 £000	Incoming resources £000	Resources expended £000	
	Commonwealth Education Fund	-	1,147	(1,147)	-
	DFES	-	200	(200)	-
	DFID	-	185	(185)	-
	Give It Sum Fund	1,361	72	(507)	926
	Vodafone Group Foundation	-	166	(166)	-
	Restricted funds	<u>1,361</u>	<u>1,770</u>	<u>(2,205)</u>	<u>926</u>

These restricted balances will be used to support future projects in accordance with Comic Relief's grant-making principles and the wishes of the respective donors.

Comic Relief manages the Robbie Williams Give It Sum fund in partnership with Robbie Williams and his team. Grants of £491,000 were awarded in the year.

22.	Commitments under operating leases	2006 £000	2005 £000
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At 30 September 2006, the group had annualised operating commitments under non-cancellable operating leases expiring as follows:

Land and buildings:		
Two to five years	254	254
Other:		
Two to five years	6	6
Total	<u>260</u>	<u>260</u>

23.	Management of liquid resources (Group)	2006 £000	2005 £000
	Purchase of current asset investments	-	(35,506)
	Receipts from sales of current asset investments	13,294	-
		<u>13,294</u>	<u>(35,506)</u>

24.	Analysis of the changes in net funds (Group)			At 30 September 2006 £000
		At 1 October 2005 £000	Cash flows £000	
	Cash at bank and in hand	4,796	(540)	4,256
		4,796	(540)	4,256
	Current asset investments	102,171	(13,294)	88,877
	Total	<u>106,967</u>	<u>(13,834)</u>	<u>93,133</u>